



County of Los Angeles CHIEF EXECUTIVE OFFICE

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SACHI A. HAMAI
Chief Executive Officer

March 9, 2016

To: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: Sachi A. Hamai
Chief Executive Officer

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REVENUE OPTIONS TO ADDRESS HOMELESSNESS CRISIS IN LOS ANGELES COUNTY (ITEM NO. 14, AGENDA OF FEBRUARY 23, 2016)

In response to the current homelessness crisis which pervades Los Angeles County, the County launched the Homeless Initiative on August 17, 2015, a multi-department effort to develop a comprehensive set of recommended County strategies to reduce homelessness. An inclusive, collaborative planning process brought together 25 County departments, 30 cities, and over 100 community organizations in 18 policy summits, followed by a 500-person community meeting to discuss the draft strategies and written comments from over 200 organizations and individuals.

On February 9, 2016, the Board unanimously approved the Homeless Initiative's coordinated set of 47 recommended strategies, and allocated \$99.7 million in one-time funding to support the initial implementation of the approved strategies. At the same time, the Board acknowledged the need for ongoing revenue to sustain the approved strategies and directed the CEO to collaborate with the Board to explore potential sources of ongoing revenue.

On February 23, 2016, the Board of Supervisors instructed the Chief Executive Office (CEO) to explore options to increase revenues dedicated specifically to address Los Angeles County's homeless crisis, such as a Mental Health Services Act-like proposal and report back to the Board in 30 days or less; conduct polling and research activities to inform the Board as to the optimum timing of when the various options, if authorized, should be submitted for voter approval and how it should be crafted to ensure efficacy, transparency, accountability and the highest likelihood of passage; and to further clarify the full impacts that are being considered for the November 2016 ballot and take into consideration Local and State Initiatives including the potential 2016 Transportation Measure known as R2, the potential park measure and any additional local measures; and instructed the Chief Executive Officer, the Director of Health Services and County Counsel to report back to the Board on the feasibility of placing an initiative on the ballot to expand the services reimbursable under Measure B to include programs for the homeless, thereby not increasing the total tax burden; the authority to utilize

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existing Measure B funds to establish services to prevent avoidable emergency room visits by homeless individuals; and other revenues and funding that may be available without tax increases.

This is an interim report which is focused on the various revenue options. As described below, the CEO is pursuing polling and additional research on various options.

Potential Countywide Revenue Options

The County's authority to raise revenue is defined by State law, and the County's authority to raise revenue countywide (as distinguished from the unincorporated areas) is quite limited. The CEO has consulted extensively with County Counsel regarding legally-available options to generate ongoing revenue to combat homelessness. The CEO and County Counsel have jointly identified the following options:

Parcel Tax – The County could seek voter approval for a parcel tax tied to countywide functions related to homelessness, such as mental health services and General Relief. Such a measure would be analogous to Measure B, the countywide trauma tax. An affirmative vote by at least two-thirds of the electorate would be required for passage.

Redirection of Measure B Revenue – According to the Departments of Health Services (DHS) and Public Health (DPH), all Measure B revenue currently allocated to those departments is needed, and any redirection of Measure B revenue would create a deficit in their budgets. Should the Board wish to pursue a redirection of Measure B revenue, County Counsel would need to determine the legal steps that would be required.

Marijuana Tax – Under the Medical Marijuana legislation enacted in 2015, the County could seek voter approval for a tax on medical marijuana; such a measure could be drafted to also apply to recreational marijuana, in the event that recreational marijuana is legalized in California. This tax would require a simple majority vote of the electorate if it were not specifically tied to homelessness, and a two-thirds vote of the electorate if it were specifically for homelessness. If the tax were not specifically tied to homelessness, the ballot measure could include a non-binding, advisory question asking voters if they believed that the resulting proceeds should be used to combat homelessness.

Transaction and Use Taxes – Subject to voter approval, the County has the option to raise the countywide transaction and use tax. Transaction and Use Taxes ("TUTs") are identical to sales taxes in scope and are collected at the same time as sales taxes. TUTs, whether general or specific, are capped at 2% countywide. Currently, for purposes of this cap, the County levies TUTs totaling 1% countywide. However, cities also have the authority to levy their own TUTs, and several cities in the County have done so. Although all TUTs together are subject to the 2% cap, cities which have levied their own TUTs would not lose that income, but would instead receive the revenue from the countywide TUT that they would have received under their own TUT, in the absence of a new countywide TUT.

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County Counsel has determined that the County has the authority to seek voter approval of an additional countywide TUT up to 1% without exceeding the 2% cap. This tax would require a simple majority vote of the electorate if it were not specifically tied to homelessness, and a two-thirds vote of the electorate if it were specifically for homelessness. Similar to the Marijuana Tax, if the tax were not specifically tied to homelessness, the ballot measure could include a non-binding, advisory question asking voters if they believed that the resulting proceeds should be used to combat homelessness.

Local Supplement to Mental Health Services Act (MHSA) Tax – The County could seek an amendment to State law which would authorize counties to seek voter approval to impose a local income tax on the same income which is subject to the MHSA tax, i.e. personal income in excess of \$1 million per year. This tax would be specifically to combat homelessness and would not be limited to people with mental health conditions. A simple majority vote of the Legislature would be required to provide this authority to counties. If the Legislature granted this authority and the Board decided to place such an initiative on a countywide ballot, two-thirds approval by the electorate would be required.

If such an amendment were enacted as part of a Budget Trailer Bill or through a regular bill with an urgency clause, it would be effective upon enactment; otherwise, it would be effective on the first January 1 following the date of enactment.

Polling Regarding Potential Revenue Options

In accordance with the Board's instruction on February 23, 2016, we will proceed with polling for the following potential revenue options identified above: parcel tax; marijuana tax; Transaction and Use tax; and local supplement to MHSA tax. This polling will take into consideration the statewide revenue initiatives that may appear on the November 2016 ballot, as well as the potential local 2016 Transportation Measure known as R2 and the potential park measure. We will report back to the Board, as soon as the polling results are available.

If you have any questions or require additional information, please contact Phil Ansell, Director, Homeless Initiative at pansell@ceo.lacounty.gov or 213-974-1752.

SAH:JJ:PA
AO:ef

c: Executive Office, Board of Supervisors
County Counsel
Health Services